

24 February 1975

NOTE FOR THE DIRECTOR

SUBJECT: Murphy Commission Draft Reports on Intelligence

Bill:

The Murphy Commission draft reports have been provided to us as well as to Defense and NSA and comments were requested. The question of how DoD proposes to proceed on the reports impacting on their organizations was explored with Tom Latimer, ~~and Al Hall~~. It appears that they do not intend to comment on the drafts, but will await a request to react to a final draft. Fisher Howe assures me the Commission will be requesting comments.

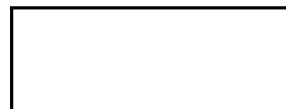
The draft reports we have present some significant problems:

- ° Recommendations on organizational change are not related to how these will improve the responsiveness of intelligence or its performance in support of foreign policy. That needs to be done, and Fisher Howe has accepted the view with appreciation.

- ° The report fails to provide an analytic basis to support its recommendations. The report purports to support a stronger DCI; e.g., more national level review of NSA (EXCOM), as one major illustration, but it does not arrive at this conclusion from an accurate factual base.

- ° No alternatives are offered or even examined.

I've advised Howe of these differences, and he agrees the report needs more work. He has asked for factual corrections, and some of these are attached. (They do not address the recommendations or validity thereof.)



AD/DCI/IC

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Attachment:
As Stated

24 February 1975

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MEMORANDUM FOR:

SUBJECT : Comments on Murphy Commission Draft Report

Introduction - no comments.

Section I, p. 8, last two lines of second para. - better words would be:

" . . . and as such is responsible for coordinating all foreign intelligence activities of the U. S. Government."

Section I, p. 10, lines 8 & 9 under DIA:

Director DIA is no longer program manager for GDIP and SRV.
ASD(I) now has these responsibilities.

Section I, p. 11 - Under NSA. Second para. is incorrect. The Service

Cryptologic Agencies (SCAs) are under the operational and technical control of Director, NSA. The SCA Chiefs also perform certain cryptologic related functions for their parent Services, for which they receive direction from the Service Chief. Some of these Service peculiar functions do involve maintenance of field units for direct support to military forces. The relationship between NSA and the SCAs is not ambiguous.

Section I, p. 11 - NRO - I believe it is incorrect to describe NRO as a part of "Air Force intelligence." It is not a part, either organizationally or in management and direction.

Section I, p. 12 - Many possible errors in fact or interpretation

under Service Intelligence para.

-- I question the source, validity and meaning of the large manpower figures given for Army, Navy, and Air Force intelligence.

-- At least in the case of the Navy, it is totally incorrect to say that, "ONI employs about [] people. . . . "

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-- Given the inaccuracy of these figures, it is wrong to say, in the second sentence, that "the three major Service agencies are all (SIC -- each) larger than DIA. (ONI, for example, actually has a world-wide strength of about [] people.)

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-- It is also incorrect, as noted previously, to include NRO as a part of Air Force intelligence.

(Check accuracy of USIB Committee Chart)

Section II, p. 1, line 5 - change DCI to CIA.

Section III, p. 5, 2nd para. I understand the designation of the DCI as vice Chairman of NSCIC has never been made official. Letter drafted but never signed.

Section III, p. 6, first line - strike out "director"

Section IV, p. 1, first para., last line - IRAC is "Resources" not "requirements"

Section V, p. 1, first para - This paragraph conveys a very wrong impression regarding the contribution of NSA, DIA and NRO (see last sentence) when one reads the second line, "Most of their effort is limited to 'tactical'" Perhaps use of word "much" in place of "most" would be easiest fix.

Section V, p. 2, lines 5-6 and 9-10 convey a misinterpretation.

"Tactical" or military force support intelligence elements are organic to forces as a part of the force enabling the Commander to execute his mission. They are not "nice to have" or "more comfortable" to the Commander as their reason for being, as this paragraph portrays.

The second para. is a non sequitur. The 15-85 split refers to "National" programs (Prog. III) and does not include "tactical" resources, which may be as much as double.

Section V, p. 3 - "Tactical" figures are available, as are all DOD budget items. All one needs to find "tactical" intelligence resource figures is a definition of what to include.

Section V, p. 5, NSA para., lines 4-6: I agree that military coverage dominates the SIGINT business, but I will not agree that this is "at the expense of other national needs" -- a connotation that other needs are not being met because of military dominance.
Not True.

Section V, NSA para., last sentence, again connotes that non-military needs are not being met because of military dominance. This is not true and is the fault of DCI and USIB if it should be true.

Section V, second para., lines 3-5. Comments on further career aspirations hampering objectivity of DIRNSA is factually wrong. Only one DIRNSA has ever been advanced in his Service, and only one other has been advanced outside his Service. All other retired, and one reverted to two-star status.

Section V, p.7, lines 2-4. The only position in NSA traditionally held by a military officer is the Director. All other senior positions do rotate and all have rotated among civilians and military.

Section V, p.7, second para., line 3 -- word "cryptographic" should be "cryptologic."

Section V, last para. on p. 7 and first para. on p.8 are grossly misleading in impressions of relationships between NSA and SCAs plus role of Service Chiefs. This was explained in great detail to Mr. Wm. Harris.

Section V, p.8, 2nd para. regarding CSS. The CSS is an abortion and was deliberately engineered to be so by ASD(I) and a former Director of NSA.

Section V, p.13 - Remedies recommended to improve the Defense Attache System are of little value. Promotion should not be

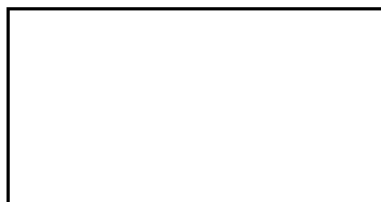
treated as a reward for one tour of duty, as suggested. The real remedy for DAS problems is to improve the prestige and image of the Military Attache, and restore personnel reductions which have cut the system by more than half.

Section VI, p. 6, full para. at mid page:

Discussion equates HUMINT to clandestine HUMINT, which is wrong. Result is wrong conclusion and bad recommendation.

Section VII - no comments.

Section VIII - no comments.



AC/CPAD/IC

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cy to:



CENTRALIZATION OF DEFENSE
INTELLIGENCE FUNCTIONS

After World War I, America's small military intelligence establishment was reduced to an ineffective level. Yardley's famous "Black Chamber" code-breaking operation was disbanded with the epitaph, "Gentlemen do not read other gentlemen's mail." With the advent of World War II, intelligence units had to be hastily assembled to meet the varying and often parochial needs of field commanders. Quite understandably under those circumstances, effectiveness, not organizational style or economy, was the overriding concern. It was from these origins, and in the face of Soviet advances in Europe, that an attempt was made to create a capable, centralized intelligence authority after World War II. Yet, even when the Central Intelligence Agency was formed in 1947, the military Services managed to retain most of their previously established authority and money under a key provision of the Act* which made "departmental intelligence" the responsibility of each Service intelligence agency.

In later years when numerous independent committees recommended consolidation of the complex and often overlapping elements of the Defense intelligence structure to effect economies, reduce risks and achieve quality control over the final product, the military Services fought successful rearguard actions to maintain their independent capability. This was done by maintaining individual Service intelligence organizations which were only partially subordinated to such centralized authorities as the National

*National Security Act of 1947, §102 (d)(3), Title 50 U.S.C.A. §403 (d)(3) (1970 ed.).

Security Agency (NSA) and the Defense Intelligence Agency (DIA), and also by making tactical intelligence units directly responsible to combat commanders in the same manner that rifle companies or artillery batteries are responsible to a field commander. The military rationale for this is understandable: All field commanders seem more comfortable if they have direct control over vital support elements such as intelligence; the trauma of surprise at Pearl Harbor created an aversion to some far-off centralized authority responsible for crucial warning intelligence; and a larger military intelligence effort could be maintained if it were scattered throughout the Defense Department and thus obscured from Congressional budget cutters and civilian resource managers.

Every previous report on the organization of the U.S. intelligence community reviewed by this Commission has called attention to the need for centralized management in the massive DOD intelligence complex. The proportions of the problem cannot be easily exaggerated. Although the DCI is nominally in charge of the entire intelligence budget, more than 85 per cent of the resources are in the Department of Defense and every responsible DOD official questioned by the Commission stated that the Secretary of Defense has final authority over the use of those funds. Although the National Security Agency was established in 1952 to be responsible for all U.S. Signals Intelligence (SIGINT), Service Cryptographic Agencies (SCA's) not only continue to exist, but actually perform most of the SIGINT mission. Although the SCA's must accept technical guidance and "national" tasking from NSA, and despite the fact that in 1971 the President ordered

their consolidation into G-2, also NSA, the
SCA's are responsible in a command sense to their Service chiefs and to the tasking of the local unit commanders to whom they are assigned. Although the Defense Intelligence Agency was created in 1961 to centralize intelligence collection and production for DOD, a House investigative team found in 1968 that the size of the Service intelligence organizations had nearly doubled in personnel since DIA was formed. Although the Schlesinger report of 1971 noted the tremendous disarray in Defense intelligence management, and the President's subsequent directive ordered not only consolidation of effort but reduction in the "tactical intelligence" budgets, the Commission was unable to obtain any reliable figure on the exact amount of current resources in the so-called "tactical" category.

Technical Collection. The two primary means of technical collection employed by ourselves and our opponents are satellite photography and communications intercepts. Technical innovation and rapid advancement in these two fields caused intelligence costs to double during the 1960's, and today technical collection accounts for more than half of the entire intelligence community budget. However, the processed intelligence is of tremendous value, because it allows us to determine with great precision the number and type of major missile systems developed by an opponent, the movement of his conventional military forces and the degree to which he is adhering to various arms limitation agreements.

Overhead Reconnaissance. The new opportunities for development and exploitation of satellite photography created an intense rivalry between CIA and DOD in the early 1960's. CIA turned out to have the best innovators

highest), while Defense proved best able to manage ongoing satellite programs. Throughout, the USIB (on which both CIA and DOD are represented) has been effective in establishing satellite requirement lists. The rivalry was finally composed by making CIA and DOD jointly responsible for satellite research, operations and exploitation. There is, however, a lingering concern that the DCI's final authority to resolve disputes provides his agency with an unfair advantage, particularly in resource debates where CIA is proposing a competing system. Although the compromise organizational structure seems to be working effectively, the Commission notes that the Schlesinger report did indicate in 1971 that substantial savings might be realized if a single (unspecified) manager were placed in charge of the entire overhead reconnaissance program. If that is the case--and this Commission is not in a position to judge--then consideration should probably be given to transferring complete authority for such programs to DOD, which already has most of the money and operational responsibility.

The Commission does hold the strong view that a joint review of satellite photography at the National Photographic Interpretation Center (NPIC) by analysts from CIA and DOD acting independent of one another is a useful redundancy. The source material is so valuable and so massive that a built-in challenge mechanism facilitates total and effective exploitation.

National Security Agency. NSA was created by executive order in 1952 as a semiautonomous arm of the Department of Defense responsible for coordinating the Service Cryptologic Agencies (SCA's). NSA has two missions:

-- The collection of foreign communications for the purpose of deriving intelligence. The resulting Signals Intelligence (SIGINT) is further subdivided into Communications Intelligence (COMINT) and Electronics Intelligence (ELINT), the latter covering electronic emanations, such as radar, which do not carry messages, but from which useful data may be obtained.

-- The protection of U.S. communications from exploitation by foreign governments. The Communications Security (COMSEC) mission requires NSA to generate and provide security controls for all U.S. codes, promulgate communications standards and procedures, and engage in relevant research and development of prototype hardware.

Both the need for COMSEC and the importance of SIGINT as a source of valuable information are perhaps best demonstrated by the fact that the USSR maintains the largest SIGINT establishment in the world. The resource committed by the Soviets alone are nearly half again as large as the SIGINT resources of the U.S. and its allies combined. The Soviet's SIGINT threat is obvious when one considers the amount of daily business conducted by Americans by electronic means, much of it over insecure telephones. Moreover, Soviet intercept operations are conducted against every facet of American activity, not just military and diplomatic communications, but economic, trade, industrial and research as well.

The potential value of our own SIGINT operations and the threat posed by our opponents, require that we maintain an extensive, secure, well-managed effort which is responsive to the needs of all parts of our government

REFCON : The National Security Agency should control all U.S. Signals Intelligence and all SIGINT assets now operated by the Service Cryptologic Agencies, and CIA should be transferred to NSA.

The struggle between NSA and the JCS, through the Service Cryptologic Agencies (SCA's), for control of our SIGINT assets has been unending. A peculiar division of authority makes this situation almost inevitable. The cryptographic programs of the SCA's are coordinated by NSA, but each SCA receives its own budget to support its own program planned in response to two sets of guidance--one related to support of military field forces and the other designed to satisfy "national" requirements. The Director of NSA (DIRNSA) is responsible for providing technical direction and support to the SCA's and for levying requirements and producing intelligence on "national" objectives. However, each SCA is commanded by its Service chief at the headquarters level, and in the field is under operational control of the local military commander.

This situation persists despite the facts that the head of NSA is a Flag Officer who reports directly to the Secretary of Defense, and military men dominate the other senior positions in NSA. The Director of NSA is a three-star Flag Officer who very often moves on to higher command and, therefore, is not particularly disposed to alienating his military superiors in the command structure.

The SCA problem is complicated by other factors as well. Cryptography began in the military as an adjunct of communications, and therefore, although its product is obviously intelligence, it has no connection with the regular Service intelligence organizations (G-2, ONI, A-2). Moreover, not until

1970 were the SCA's split out of the communications command structure, and then only in headquarters and not in the field. Although NSA is supposed to be responsible for both COMINT and ELINT, the Services do not believe NSA is putting enough effort on the latter. As a result, the Services are circumventing a National Security Council Intelligence Directive assigning authority for ELINT to NSA by retitling the activity "Electronic Warfare." If this most recent Service dilution of NSA authority is permitted to continue, ELINT research and development could easily be justified on a fragmented "Electronic Warfare" basis.

In 1971, on the basis of recommendations contained in the Schlesinger report, the President ordered the creation of the Central Security Service (CSS). The idea was to consolidate requirement and analysis assets in NSA headquarters which would provide tasking for the newly consolidated collection assets under the CSS. However, instead of abolishing the SCA's, a new military-style command structure was developed within NSA. The civilian collection stations controlled directly by NSA were excluded from the all military CSS, apparently because mixing civilian and military assets performing the same functions would have implicitly demonstrated that the "unique" needs of each Service could be met centrally. Another indication that the intended fusion of separate elements under DIRNSA did not occur is demonstrated by the expansion of his title to Director, NSA, and Chief, CSS.

The Commission believes it is now time to effect a genuine consolidation of SIGINT programs under NSA. All other SIGINT programs, including those of CIA and the SCA's, should be abolished and their assets transferred to NSA. However, since in time of war many of these assets would revert

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to the control unit commanders, it is reasonable that a limited number of cryptologic units should be assigned to field commands by NSA in a training capacity to insure their continued ability to respond to tactical requirements. If deemed desirable, personnel could be rotated out of NSA into these units on a regular basis to insure adequate trained reserves. Even these training units should be available for national level tasking if they have a capability to contribute to requirements. As a further safeguard, SIGINT liaison officers might be retained at all appropriate levels of the military command structure, and NSA units should participate in military readiness exercises. We believe these safeguards meet the concerns expressed in the 1968 Eaton Report, which recommended centralization of functions under NSA, but only after the Vietnam war and only if JCS wartime needs could be accommodated.

RECOMMENDATION : Greater civilian control over the National Security Agency should be established by (a) making CIA and DOD jointly responsible for managing all SIGINT activities, and (b) revising directives to allow either a civilian or military official to hold any senior position in that Agency.

The Commission has concluded that the military is dominating the use of the SIGINT collection capability at the expense of other national needs. NSA is the only national cryptologic organization in the West which reports to the Defense chief. Most of the rest are affiliated with foreign affairs organizations, and the Communists have developed redundancy by creating two major organizations--one under military intelligence and the other more extensive one under civilian intelligence. We are aware in making

a recommendation for a more independent NSA that civilian departments are able to levy requirements on NSA through the USIB mechanism. However, the sheer volume of "requirements" permits wide collector discretion and SIGINT resources are slanted heavily toward military targets.

The Commission is inclined to recommend joint CIA-DOD management of NSA in order to protect the military's strong and legitimate interests in SIGINT, while creating a climate in which the new intelligence needs of civilian consumers can be addressed more fully by NSA. Such a management structure would parallel the joint control which works well in the overhead satellite program. Only the Schlesinger report comment that a single satellite manager would save substantial sums is troublesome, since it might well apply equally to SIGINT. However, the military stake in SIGINT is so high that the Commission rejected an alternate proposal that NSA be made an independent agency reporting through the Director of Central Intelligence, not the Secretary of Defense.

However, the Commission definitely believes that the Director of NSA should no longer automatically be a military man. Practices similar to those which have come to govern the selection of the leadership of CIA, namely that either the Director or the Deputy should be an active duty or retired military officer, would seem most appropriate to NSA's current and prospective role in the intelligence community. We further suggest that the Director of this critically important, and major Agency, be appointed by the President with the advice and consent of the Senate. All other senior positions in NSA should also be awarded on the basis of knowledge and merit, not simply on the basis of traditional rotation of jobs among the military Service

should be created with the necessary authority to consolidate the fragmented military intelligence effort and establish centralized control over intelligence collection, analysis, production and resource management.

The large size of the military intelligence effort, as well as the redundancy built into the system, seems to stem from the shock of Pearl Harbor and the Cold War conviction earlier held by all top governmental leaders (not just military men) that World War III might break out at any moment. Under those psychological conditions, the military approach to intelligence became encyclopedic. The military view that our best defense is to try to know everything about everything is a genuine and deeply felt conviction, and not merely a drive for big intelligence budgets and empire-building--although that has been an inescapable consequence.

This acquisitive attitude is compounded by a strong sense within each Service that its own concerns are of overriding importance. Like most dedicated professionals, each military commander is inclined to believe his own Service is the most important; therefore, his Service is best suited to counter threats against American security; therefore, his Service should collect and analyze as much intelligence within its field of interest as possible. Since his Service's collection requirements are complex and technical, they can best be satisfied by members of his Service. Furthermore, each unit commander feels that he can best safeguard his men if he has personal control over much of the intelligence necessary to prevent surprise and conduct operations.

disappeared, it has certainly receded--in part because our intelligence is better, both as a result of technological breakthroughs by CIA and NSA and accumulated analytical experience in many parts of government. Thus, the separate Service approach to intelligence, however justified it may have been originally, is now in need of major revision.

Centralized Management Authority. Every previous report reviewed by this Commission which considered the Defense intelligence organization, noted the need to consolidate the fragmented military intelligence effort under a single manager. The Joint Study Group in 1960 observed that, although the Defense Reorganization Act of 1958 was bringing about a stronger unified command under the JCS, this was not curing the management problems of Defense intelligence. The Joint Study Group proposed revising NSCID's to assign the Secretary of Defense specific responsibility, which might be delegated, to control intelligence resources and reduce waste and duplication.

When the Defense Intelligence Agency (DIA) was established in 1961, it was supposed to have responsibility for the management of all Defense intelligence assets and production, but DIA's later preoccupation with substantive matters led to the atrophy of its assigned management responsibilities. The House Appropriations Committee Investigative Team (HACIT) report in

1968 commented on this DIA failing, and the Froehlke report in 1969 suggested remedial action by splitting off the management function and recreating a position similar to the Assistant to the Secretary of Defense (Special Operations) which had existed from 1953 to 1961 when DIA was created. Secretary Froehlke believed that managing Defense intelligence resources and representing Defense on all intelligence community matters could be done on a part-time basis by the Assistant Secretary of Defense/ Administration. The Fitzhugh report of 1970 and the Schlesinger report of 1971 noted that the ASD/A was ineffective in his intelligence role, because he had never been given authority over all Defense intelligence programs and because he was preoccupied with administrative concerns. Both reports recommended a full-time manager of intelligence resources, and the Schlesinger report provided various options, including a powerful Director of Defense Intelligence (DDI) with command authority over all Defense intelligence activities and resources (including tactical), and alternately an Assistant Secretary of Defense/Intelligence (ASD/I) with staff advisory powers, but no command authority.

The ASD/I position was created in 1971, and since that time, separate Service programs for security background investigations and mapping have been consolidated; some small, marginal programs have been abolished; resource trade-offs between the Services have been negotiated, and resource reviews made within DOD and with the DCI have been conducted on a regular basis. However, as a staff advisor, the ASD/I does not have control over the separate Service intelligence organizations.

The power of the Services in resource matters can be demonstrated in various ways. Although DIA was intended to effect economies and centralize functions, the HACIT report indicated that the size of Service intelligence agencies nearly doubled between 1961 and 1968. In the past five years, when total manpower in the entire intelligence community was being reduced by approximately 45 per cent, the cuts in order of magnitude were taken by NSA, CIA, DIA and then the military intelligence Services. Today, manpower in Service intelligence units totals slightly more than twice that in DIA.

The Schlesinger report noted that very substantial sums are spent on "tactical intelligence;" that these funds are controlled by field commanders rather than the Service intelligence chiefs; and that it is therefore difficult to determine the overall total which DOD is spending on intelligence. In his 1971 letter, the President instructed the Director of Central Intelligence to look to tactical intelligence as an area where management and great savings could be achieved. Yet, the DCI has so far been ineffective in implementing this instruction.

The Commission found that different people used different figures for tactical intelligence, depending on the point they are attempting to demonstrate. Even more disturbing is the fact that all figures equal or exceed the total cost of our largest technical collection program.

The Commission believes that "tactical intelligence" is an outdated phrase, because intelligence necessary to protect against major future conflict is most likely to be strategic, rather than tactical, in nature. We further believe that tactical intelligence is relevant to this Commission's inquiry for

several reasons. This technique permits the siphoning off of resources which could be better applied to other DOD programs, possibly including centralized intelligence activities. DOD already has control of 85 per cent of the total U.S. centralized intelligence budget, if tactical intelligence costs are added the military-civilian imbalance in intelligence collection is further magnified. Two major Commission recommendations--increased DCI authority over the intelligence community and centralization of DOD intelligence activities--cannot be made relevant if tactical intelligence activities are excluded.

Defense Intelligence Agency. It appears that DIA was created in response to the Joint Study Group report in 1960, which called for centralization of Defense intelligence functions. DIA was originally expected to control all Defense intelligence assets and products, but, according to the HACIT report in 1968, was unable to implement its charter because the Services failed to provide DIA with a sufficient number of officers trained in management. The HACIT report also noted that while DIA was originally intended to produce all finished intelligence for all Defense components, much of its basic work was being subcontracted back to the Services, and DIA was tending to become more a manager of production than a producer. The Director of DIA was originally supposed to replace the three Service chiefs as a single Defense representative on the USIB. However, representatives of the Service chiefs soon rejoined USIB as observers "with voice but no vote," and later the ASD/I also became a USIB member under the same ground rules.

Today, the Director of DIA is the principal substantive intelligence advisor to the Secretary of Defense and the senior intelligence staff officer on the JCS. His organization is the primary producer of military intelligence at headquarters, but not in the unified and specified commands where the individual Service organizations are represented rather than DIA. DIA can review and coordinate Service intelligence activities, but has no command control over their resources. DIA manages only those military intelligence activities, such as the military attache program, which are not assigned to field forces or national programs.

Director of Defense Intelligence. Consolidation of Defense intelligence activities has been a dominant recurring theme in reports made by every previous committee that has reviewed the Defense intelligence establishment. This Commission endorses the proposal that a Director of Defense Intelligence (DDI) be established. This idea was delineated by the Blue Ribbon Panel under the chairmanship of Mr. Fitzhugh in 1970. As then described, the DDI would be the Defense representative on USIB; direct and control all Defense intelligence activities not organic to combat forces; review all intelligence programs and recommend resource allocations; establish requirements for collection and production; conduct periodic evaluations of Defense intelligence processes and products; review and consolidate intelligence R&D; and

develop procedures to protect sources and methods.

The DDI proposal was resubmitted for Presidential review as the first DOD option of the Schlesinger report of 1971, but apparently not adopted despite its obvious benefits, because the President decided to avoid making changes in the intelligence community which would require Congressional action. The Commission believes this may be a more appropriate time for fundamental reform of the Defense intelligence establishment.

THE CLANDESTINE SERVICE
AND COVERT ACTION

The clandestine service of the CIA has primary responsibility for the conduct of those operations popularly associated with "spying"--the recruitment and management of agents who (a) provide information on the actions and intentions of others, and/or (b) themselves take actions to promote our policies abroad. This is an exacting business requiring a high degree of professionalism, because the rewards for success are often great and the penalties for failure usually include embarrassment (or worse) for American officials and incarceration (or worse) for the exposed agents.

RECOMMENDATION : CIA should retain responsibility for secret operations abroad. The clandestine collection and covert action functions should remain under the unified control and direction of a single clandestine service chief.

The possibility of splitting off the clandestine service from the intelligence analysis and estimating activity of CIA has been reviewed in many previous studies. All have recommended that CIA remain intact, including the Bay of Pigs postmortem report which was^{produced} under the cloud of President Kennedy's initial public statement that he would like to "scatter CIA to the winds."

This Commission again reviewed this fundamental question. A principal argument for separation is that placing collectors in one organization and analysts in another would assure objectivity in analysis. Yet, within CIA, analysis has always been organizationally compartmented from collection

and no major consumer is known to have complained about any lack of
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objectivity in CIA reporting. A second argument is that estimators derive
most of their information from open sources and can enhance their interpreta-
tion of events by establishing close-working associations with other institu-
tions such as universities. Such vital associations, which were so
strong in the early days of CIA, have tended to atrophy. CIA is trying to
cope with this problem by encouraging its analysts to become active in pro-
fessional organizations and by declassifying material of interest to the
academic community.

An argument for retaining covert activities within CIA is that an
important part of the raw intelligence used is derived from sensitive sources
whose security must be protected most carefully. Another argument is
that analysts gain valuable insights through their association with collectors
and the latter can improve their product if they better understand analysts'
needs. Also, the quality of CIA analytical research and estimative personnel
is high and the turnover has been low, notwithstanding the association of the
clandestine activities with the estimating and analysis functions.

A second organizational change sometimes suggested is the creation
of two clandestine services, one to collect intelligence and another to engage
in covert action operations. The argument made for separation of the two
activities is that a covert action organization which also collects intelligence
might tend to bias its intelligence reporting to support and justify its

operational programs. Although this is a danger, adequate safeguards can

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be established with a single organization. The arguments against separation are more fundamental. First, a clear line between the two activities cannot be drawn, because a single individual can often collect valuable information and also take positive actions of benefit to the U.S. It would be wasteful in the extreme to have two clandestine elements of our government competing for his services, or even worse, separately rewarding him for his efforts. Second, many successful covert action operations create sources with the capability and motivation to provide important information to our government. Third, trying to compartment recruitment and communication lines for the two purposes in a single country would be, and indeed in past experience has proved to be, not only impractical but dangerous.

In summary, the current organizational arrangement seems to be most appropriate, and thus the disruption of ongoing activities and the added expense of dividing collectors from analysts or intelligence from covert action cannot be justified.

Human Intelligence (Humint). Although satellite photography can provide previously unavailable and often incontrovertible evidence about past developments and current events, it can tell us nothing about the political dynamics of other societies or the intentions of foreign leaders. Therefore, clandestine agent operations (known in the intelligence trade as Humint) are still crucially important.

Many people abroad are ready to assist U.S. intelligence. They view cooperation with America as an important way to safeguard their own national interests, or as a vehicle for bringing improved conditions to their countries, or as the only effective method of protest against the injustices of a repressive regime.

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Locating a person with access to the data we require who is also willing to cooperate is no easy task. This is particularly true in the closed Communist societies where individual mobility is severely restricted, secrecy is ingrained, and the leadership carefully compartments information as a control technique.

Conversely, in an open society such as ours much important information is readily available to potential adversaries. By simply subscribing to a weekly aviation magazine, the Soviets can obtain the type of essential technical data we must spend millions of dollars to collect secretly. Given this obvious advantage, as well as their announced interest in reducing tensions, one might well imagine that Soviet intelligence activities must have been reduced. However, the trend is actually in the opposite direction. According to our best estimates, the USSR annually commits more resources (both people and money) than the U.S. to all phases of intelligence--satellites, communications intercepts and Humint. (NB: FBI figures may be added at this point when available.)

on the intentions of foreign governments must be made a matter of priority national concern. The CIA should have exclusive responsibility for clandestine Humint operations abroad during peacetime.

The Commission endorses previous President's Foreign Intelligence Advisory Board findings that the DCI should generate the type of national effort which during the past decade caused seemingly impossible obstacles in the field of technical collection to be overcome. While the problem-solving techniques are totally different, the advantages of success are comparable because even a single agent of the caliber of Colonel Penkovsky can greatly reduce the uncertainties and dangers of great power politics.

The military has, over the years, been phasing out of Humint, and this is a trend which should now be carried to its logical conclusion. Several past studies have criticized the military for lack of competence in agent operations; the risks involved do not justify further military efforts generally aimed at low level targets; and the Schlesinger report noted that some economies can be effected by centralizing the function.

The only exception should be DCI discretionary authority temporarily to sanction military clandestine collection units providing essential support to operational commands for current operations and contingency planning. All other such units abroad should be disbanded, but especially talented and valuable military personnel might be assigned to CIA stations if deemed advisable by the DCI. No change should be made in established arrangements which provide that CIA clandestine assets will be subordinated to military commanders in time of war.

RECC MENDATION : The military attache system should

be upgraded as career speciality and be made more responsive to CIA Humint tasking.

The attaches, which are not part of the military covert collection organization, can contribute significantly to Humint reporting if their work is properly coordinated with the enhanced CIA effort we envisage. The importance of the attache corps should be given greater recognition within the Defense establishment. The quality of attaches should be improved by increasing their promotion possibilities. Fewer senior assignments should be considered retirement posts, and more attaches should have an opportunity to achieve Flag Officer rank. The attache corps should be made more attractive to bright, young officers. The Commission is concerned that the sharp reduction in the number of attaches abroad has been mainly felt among junior officers. Yet, their age is an important advantage in contacting their counterparts in Communist Embassies and the young foreign military officers who are most often responsible for sudden political upheavals.

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criticism is not strictly an intelligence activity at all. Covert action is, however, a traditional function of intelligence organizations, and it is a weapon maintained in the arsenal of all governments--whether autocratic or democratic--which have important foreign obligations and interests.

The term covert action includes those propaganda, political and paramilitary actions abroad carried out in support of U.S. policy, but in a manner not attributable to the U.S. Government.

Authority for covert action is implied under the National Security Act of 1947, which empowers the CIA "to perform such other functions and duties related to intelligence affecting the national security as the National Security Council may from time to time direct." This intentionally vague, but purposeful, language has been elaborated upon by several secret NSC directives. It has been made specific through the use of covert action by every postwar President under constraints requiring CIA to obtain inter-agency policy approval for each operational plan.

RECOMMENDATION : The U.S. should maintain the capability to carry out covert action. This capability should be used sparingly.

The Commission has heard testimony against covert action and has discussed the pros and cons of covert action at length. It is mindful of the arguments against covert action: that such activity is offensive to the moral standards of a great democracy; that covert action runs counter to the respect for international law which the U.S. is attempting to inculcate in others; that the means used are more important than the ends achieved; that CIA activities have done much to undermine the reputation of the U.S.

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and its diplomacy around the world; that our intervention abroad has helped to alienate many Americans from their government; that the risk of "leaks" has become greater as the strong public consensus behind policies to "contain Communism" has waned; that CIA has contributed to the eventual creation of undemocratic, dictatorial governments; that covert action, possibly defensible in wartime situations, is inappropriate in peacetime; that the Cold War has been prolonged by covert action.

Critics also question the effectiveness of covert action, and it is true that badly mismanaged operations, such as the Bay of Pigs invasion, have been disastrous. However, the Commission presumes that mismanagement need not be a hallmark of covert operations.

The testimony and arguments which the Commission found persuasive in deciding in favor of maintaining a covert action capability include the following:

-- The world is likely to remain a dangerous place for the foreseeable future. The U.S. cannot afford unilaterally to deny itself the use of valuable instrumentality which is not denied to others. All evidence indicates that covert action continues to play a major role in the promotion of Communist goals, particularly those that are less moderate than their announced official policies.

-- Flexibility in tailoring a response to suit the problem confronted can often mean the difference between success and failure. Just as we have conventional military forces to use short of our nuclear capability, covert action embraces a wide range of responses which fall in between delivering a diplomatic protest and sending in the Marines.

-- There is nothing inherently evil or wrong about doing things privately. Privacy often permits greater candor and less deference to irrelevant or uninformed political considerations. Yet, unlike most foreign governments, the U.S. has very little sense of the "private" in public affairs. Covert operations permit our government to act quickly, bypassing political and bureaucratic constraints.

-- Historically, the vast majority of covert actions have been undertaken in response to legitimate requests from friends in distress abroad. If it is not morally wrong to assist a friend with military or other overt aid when he is threatened with open aggression, it seems that the same rationale should be applied if we are asked for secret help to counter subversion or some other less obvious threat.

-- A foreign leader in the government, a labor union, a political party, or academia, may need help desperately, but be unable to accept it openly because of internal political repercussions. Alternately, a foreign government may be unable to accept overt assistance because of the danger of strong reaction from another state. We must be able to react in a sophisticated manner under such circumstances.

-- Clandestine operations on a government-to-government level allows us to provide vital assistance to one country without providing other countries with an opportunity to demand "equal treatment."

-- Even when our activities are designed to injure an opponent rather than help a friend, it may be important to all concerned that our actions be kept secret from third parties. For example, our U-2 flights were known to the USSR for several years, and although the Soviets made

private protests, they concealed that fact from other countries and from domestic publics until they were capable of shooting a plane down.

-- Most covert actions do not involve massive intervention. The popular image of CIA overthrowing governments is misleading. Covert action can include many less dramatic, but highly significant activities.

(NB: Add examples)

capability, the Commission hastens to add that such a capability should be used sparingly. Unfortunately, on past occasions, covert operations have been pressed upon CIA by other parts of government simply to avoid bureaucratic problems involved in trying overtly to accomplish the same objective. Covert actions should only be undertaken after full consideration of all overt alternatives, and then only if the potential gains involved are worth the risks of possible exposure.

It should be noted that our use of covert operations has generally been in response to the actions of opponents and that the current movement away from confrontation politics has reduced the necessity for us to engage in such activities. Historically, there has been a marked decline in the number of covert action operations from the 1950's when we were confronting worldwide Communist subversion of governments and international organizations, and the 1960's when we were countering Communist "wars of national liberation." Our involvement has been reduced, at least in part, because many Communist efforts during those years were unsuccessful. CIA's operations led to a standoff with the Communists in much of the world and thus, perhaps somewhat ironically, have helped create the climate for detente.

RECOMMENDATION : Paramilitary operations should be the primary responsibility of the Department of Defense, and Defense should establish the structure necessary to support such unconventional activities.

Although paramilitary operations have come to be considered one form of covert action, they generally become too large and "noisy" to be kept

secret. The clandestine service exists for the purpose of doing

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things secretly, and therefore it is not the best location for the paramilitary responsibility. However, CIA has tended to dominate this responsibility, which it shares with Defense, because Congress has granted the Agency unusual budgetary authority and accounting procedures. As a result, CIA has been able to create a highly efficient logistics system for moving personnel, equipment and funds rapidly and secretly around the world. There is no reason why a small portion of the military command structure should not be given similar authority by Congress.

One other problem with transferring the responsibility for future paramilitary operations to Defense is the military's legitimate greater concern with nuclear and conventional warfare possibilities and their doctrinaire approach to problem solving. Experience indicates that when given an opportunity, our military often tries to transform a foreign country's forces into a carbon copy of U.S. forces with all the massive support structure and advanced technology which that entails. However, all three military services currently have the specialized personnel, equipment and training facilities for paramilitary activities; their unique function would simply need to be given greater emphasis.

Any future paramilitary activities should continue to require authorization and regular review by an interagency group such as the 40 Committee. Although most CIA assets in this field should be phased out or transferred to Defense, the DCI should maintain a liaison staff to insure that any useful clandestine assets are available to support paramilitary operations.

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actions in the Executive Branch, currently the 40 Committee, should meet regularly for substantive discussion, not only to approve covert action plans, but to monitor ongoing covert operations.

The CIA has often been accused of being a government unto itself, the clear implication being that the Agency habitually engages in dangerous and risky activities without the knowledge and approval of elected officials or their subordinates in policy-making positions. The Commission has investigated that charge and finds it is untrue.

The history of the approval system for covert operations is extensive, although classified. Shortly after the passage of the National Security Act of 1947, NSC Directive 4A (Dec. '47) authorized the DCI to undertake covert actions and to insure that operations were consistent with U.S. policy by clearing them in advance with State and Defense. This decision followed several successful Soviet covert actions which were changing fundamental political patterns in Europe.

A succession of review and coordination bodies followed, starting with NSC 10/2 Panel in 1948, then the Psychological Strategy Board in 1951, the Operations Coordination Board in 1953, the 10/2 Panel again and in 1955 the 5412 Committee. This Committee was subsequently retitled the 303 Committee and then the 40 Committee. Throughout this whole period, the criterion for submitting projects for review was the political sensitivity of the proposal, and also at times the amount of funding involved. As time went on and conditions in the world changed, the number of projects submitted declined, participation in the approval process expanded, and the number of projects

projects have been turned down by policy makers, including ideas whose potential they had earlier instructed CIA to investigate. Still other proposals have been vetoed by the DCI before they even got into the formal approval channel.

Today, the 40 Committee is composed of the Assistant to the President for National Security Affairs (chairman), the Under Secretary of State for Political Affairs, the Deputy Secretary of Defense, the Chairman of the Joint Chiefs of Staff, and the DCI. Perhaps because the members are so involved with other pressing matters, and because the Committee's work load is comparatively light, approval procedures have become excessively informal. The Committee rarely meets, but rather proposals are hand carried from department to department and individuals write or telephone their opinions to the chairman. The chairman has the overriding authority and can disregard a majority vote against a project if he so desires. Final approval authority, of course, resides with the President.

The Commission believes that the sensitivity and importance of the 40 Committee's responsibilities dictate that it should meet regularly for substantive discussions of the merits and risks of the proposals being considered. In order to insure that genuine safeguards over covert actions are applied by the Executive Branch, the Commission suggests:

-- A ranking official of the Department of State be made chairman of the 40 Committee. State has effectively chaired previous approval committees and is responsible for the formulation of foreign policy.

of the intricate workings of government, such as a retired Member of Congress, Ambassador or Flag Officer, should be added to the membership of the 40 Committee.

-- Greater flexibility in extending the "need to know" rule should be applied in the covert action approval process in order to develop the best judgments possible. In the past, officials who might have made important contributions were not told of covert actions and some, such as UN Ambassador Adlai Stevenson, were publicly embarrassed as a result. The Commission was gratified to learn that revised procedures now require that officers outside the clandestine service (the Deputy Director for Intelligence and the National Intelligence Officer) must review proposals before they leave CIA and that opinions are sought from the relevant Assistant Secretary of State and U.S. Ambassadors in countries which might be affected by operational activity.

-- Since the essence of the 40 Committee's responsibility is "policy," consideration should be given to drawing the Committee's staff support from the policy-oriented agencies, especially the Department of State, rather than exclusively utilizing officers whose loyalties and career development potential lie within the clandestine service.

-- Besides granting initial approvals, the 40 Committee should at regular intervals make mandatory reevaluations of ongoing projects. Since covert actions can rarely achieve lasting long-term objectives

(economic assistance levels, etc.) should be factors considered in the initial approval process.

RECOMMENDATION : Congress should have a role in the policy approval mechanism for covert actions, but secrecy must not be compromised in the process.

The DCI has repeatedly stated that he is prepared to report to Congress in any secure manner which the Congress establishes. Subcommittee II (National Security and Intelligence) encourages more vigorous and regular Congressional review of covert actions, but looks to Subcommittee I (Executive-Congressional Relations) to provide recommendations on this matter.

Both the Senate and the House have expressed approval in principle for the concept of covert action by soundly defeating bills in the 93rd Congress which would have made all such activities by the U.S. Government illegal.

However, in the closing hours of the 93rd Congress (December 1974), an amendment to the Foreign Assistance Act was passed which places new restrictions on covert action operations. In sum, the Act states that no funds can be expended by CIA for any activity other than intelligence collection, unless and until the President personally certifies that each covert action operation is important to the national security of the U.S. and reports its details to the appropriate committees of the Congress.

The Commission is gravely concerned by the provision that the President must take personal responsibility for all sensitive operations.

can result when a President takes personal responsibility for a failure that could more conveniently have been left at the door of a subordinate. In his memoirs, Chairman Khrushchev stated he was astonished when President Eisenhower announced he had personally authorized all U-2 flights. Khrushchev therefore felt obliged to respond with personal invective and cancellation of his invitation to the American President to visit Russia. President Eisenhower himself later stated that his failure to follow Allen Dulles' advice that the DCI be blamed for the damaging incident was one of the biggest foreign policy errors of the Eisenhower years. The Commission believes it truly important that a President be left the option of disassociating himself from embarrassing intelligence failures.

DCI/DDCI

Routing Slip

Executive Registry

75-877/1

TO:

		ACTION	INFO.			ACTION	INFO.
1	DCI			11	LC		
2	DDCI			12	IG		
3	S/MC			13	Compt		
4	DDS&T			14	Asst/DCI		
5	DDI			15	AO/DCI		
6	DDA			16	Ex/Sec		
7	DDO			17			
8	D/DCI/IC	✓		18			
9	D/DCI/NIO			19			
10	GC			20			

SUSPENSE

Date

Remarks:

If I am asked
to comment on the
draft I'd like to
make some more
substantial remarks
than these —
Let's consult —

[Signature]

DCI/DCI

2/25/75

F-18

(EXHIBIT)